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August 20, 2014

Charter School Board  
Christel House DORS, Inc.  
2717 S. East Street  
Indianapolis, IN 46225

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, LLP, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Christel House DORS, Inc., as of June 30, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

Paul D. Joyce, CPA  
State Examiner



**CHRISTEL HOUSE DORS, INC.**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended  
June 30, 2013



Christel House  
*DORS*



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Christel House DORS, Inc.  
Indianapolis, Indiana:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Christel House DORS, Inc. (an Indiana non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christel House DORS, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion in the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing statements generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2014, on our consideration of Christel House DORS, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Christel House DORS, Inc.'s internal control over financial reporting and compliance.



Sikich LLP

Indianapolis, Indiana  
June 19, 2014

**CHRISTEL HOUSE DORS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 318,360
Accounts receivable	18,473
Grants receivable	65,551
Prepaid expenses	<u>37,780</u>

Total Current Assets 440,164

**PROPERTY AND EQUIPMENT:**

Furniture and equipment	\$ 43,167
Computer hardware	7,927
Computer software	2,506
Less: accumulated depreciation	<u>(13,514)</u>

Total Property and Equipment, net 40,086

\$ 480,250

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$ 28,325
Accrued payroll	<u>10,418</u>

Total Liabilities 38,743

**NET ASSETS:**

Unrestricted	267,803
Temporary restricted	<u>173,704</u>

Total Net Assets 441,507

\$ 480,250

See accompanying notes to financial statements.

**CHRISTEL HOUSE DORS, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT:</b>			
Grant revenue	\$ 1,021,087	\$ -	\$ 1,021,087
State support	578,432	-	578,432
In-kind contributions	51,600	-	51,600
Textbook rental	8,553	-	8,553
Contributions and donations	1,025	-	1,025
Net assets released from restrictions by satisfaction of temporary restrictions	<u>25,608</u>	<u>(25,608)</u>	<u>-</u>
Total Revenues and Support	<u>1,686,305</u>	<u>(25,608)</u>	<u>1,660,697</u>
<b>PROGRAM AND SUPPORTING SERVICE EXPENSES:</b>			
Program services	1,126,114	-	1,126,114
Supporting services: General and administrative	<u>206,546</u>	<u>-</u>	<u>206,546</u>
Total Expenses	<u>1,332,660</u>	<u>-</u>	<u>1,332,660</u>
<b>CHANGE IN NET ASSETS</b>	353,645	(25,608)	328,037
<b>NET ASSETS</b> , beginning of year	<u>(85,842)</u>	<u>199,312</u>	<u>113,470</u>
<b>NET ASSETS</b> , end of year	<u>\$ 267,803</u>	<u>\$ 173,704</u>	<u>\$ 441,507</u>

See accompanying notes to the financial statements.

**CHRISTEL HOUSE DORS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2013**

	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 328,037
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,298
(Increase) decrease in:	
Accounts receivable	(18,473)
Grants receivable	(65,551)
Prepaid expense	(37,780)
Increase (decrease) in:	
Accounts payable	4,061
Accrued payroll	<u>2,139</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	<u>223,731</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchases of property and equipment	<u>(33,152)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(33,152)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	190,579
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>127,781</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 318,360</u>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Interest paid	<u>\$ 204</u>

See accompanying notes to the financial statements.



**CHRISTEL HOUSE DORS, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The financial statements of DORS have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

**Basis of Presentation** - As required by Financial Statement Presentation Disclosure topic of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), DORS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Net Assets** - The financial statements report amounts separately by class of net assets:

**Unrestricted net assets** - Unrestricted amounts are those currently available for use in DORS's activities.

**Temporarily restricted net assets** - Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of June 30, 2013, DORS had \$173,704 of temporarily restricted net assets.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations require that they be maintained permanently by DORS. Generally, the donors of these assets permit DORS to use all or part of the income earned on the related investments for general or specific purposes. As of June 30, 2013, DORS had no permanently restricted net assets.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, DORS considers all investments purchased with a maturity of three months or less to be cash equivalents.

In the normal course of business, DORS may maintain cash held at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.

**Grants Receivable** - Grants receivable represent the uncollected portion of funds from grants awarded to DORS.

Grant receivables are reported net of an allowance for doubtful accounts. There was no allowance, as of June 30, 2013, based on management's estimate of the amount of receivables that will actually be collected. Grant receivables are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

**Property and Equipment** - Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. DORS capitalizes additions of fixed assets in excess of \$1,000 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 7 years. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense was \$11,298 for the year ended June 30, 2013.

**Impairment of Long-lived Assets** - DORS evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed for the year ended June 30, 2013.

**Contributed Materials and Services** - Contributed services are recognized as contributions in accordance with Contributions Disclosure Topic of FASB ASC, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by DORS. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

DORS received \$51,600 of in-kind contributions during the year ended June 30, 2013. This primarily consisted of Gateway to College professional development services provided to staff at Christel House DORS free of charge and Ivy Tech Community College (Ivy Tech) provided use of two classrooms equipped with furniture, ceiling mounted projectors and instructor computers; one administrative office, AV support, restroom facilities, phones, internet service, copy machine and utilities.

Volunteers provide program services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under Contributions Disclosure Topic of FASB ASC. These services include volunteering at events, picking up donations, and various clerical work.

**Revenue Recognition** - Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in equal monthly installments in January through December following the start of the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of DORS revenue is the product of cost reimbursement grants. Accordingly, DORS recognizes revenue under the grants in the amounts of costs and expenses at the time they are incurred.

**Functional Expense Allocation** - The costs of providing the various programs and other activities have been summarized in the statement of activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. The allocation is based on a formula contained within the grant documents.

Costs are allocated to the programs and supporting services. Management periodically evaluates its allocation method and revises it when necessary. Management and general expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of DORS.

**Estimates** - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could vary from the estimates that were used.

**Advertising** - DORS expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2013 was \$18,518.

**Income Taxes** - DORS is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. DORS is not considered to be a private foundation. Accordingly, no provision for income taxes has been reflected in DORS's financial statements.

DORS has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. In the normal course of business, DORS is subject to examination by taxing authorities. DORS tax returns for years subsequent to fiscal year 2009 are open, by statute, for review by authorities. However, at present there are no ongoing income tax audits or unresolved disputes with the various tax authorities that DORS currently files or has filed.

**Concentration and Credit Risk** - Financial instruments that potentially subject DORS to concentrations of credit risk consist principally of temporary cash investments and grants receivable.

DORS places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. There were no funds in excess of FDIC insured limits at June 30, 2013.

Concentrations of credit risk with respect to grants receivable are limited due to DORS's ability to accomplish the terms of the grants. Credit losses, if any, have been provided in the financial statements and have been within management's expectations.

Operating Funds from the Indiana Department of Education amounted to 34% of DORS support and revenue for the year ended June 30, 2013. A state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the school during the year.

**Risks and Uncertainties** - DORS provides education instruction services to families residing in Marion and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area. The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect DORS. Additionally, DORS is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on DORS.

## NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

**Education** - Christel House DORS, Inc. ("DORS") was incorporated in 2011, under the laws of the State of Indiana and commenced operations in 2011. DORS is a tuition free high school for adults over the age of 18 who still need to earn a high school diploma. Students earn college credit at Ivy Tech, while completing high school course requirements, through a Gateway to College program.

## NOTE 3 – LEGISLATIVE FUNDING CHANGES

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, schools followed the practice of recognizing at June 30 of each year a receivable for payments to be made to schools in the subsequent July through December time period, which represented amounts due for services rendered.

Effective July, 1, 2013, school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to DORS academic year. As part of this legislative amendment, the funding owed to schools under prior legislation for the period July to December 2013 will no longer be paid.

For the year ended June 30, 2013, the effect of these legislative amendments had no impact on DORS.

## NOTE 4 – GRANTS RECEIVABLE

Grants receivable for the years ended June 30, 2013 represent amounts due from the Indiana Department of Education relating to the following sources:

	<u>2013</u>
Federal Planning Grant	\$ 2,903
Gateway to College	<u>62,648</u>
	<u>\$ 65,551</u>

## NOTE 5 - OPERATING LEASES

Christel House DORS, Inc. leases space and equipment from Christel House Academy, Inc. The lease agreement requires monthly payments of \$17,353 and \$260 for building space and equipment, respectively. For the year ended June 30, 2013, total building and equipment rent expense totaled \$253,754.

## NOTE 6 - PENSION PLANS

DORS elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011. The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. Retirement plan expense for PERF and TRF was \$40,868 for June 30, 2013.

DORS's faculty and certain administrative employees are participants in a 403(b) defined contribution retirement plan. All participants may contribute to the 403(b) Plan. DORS offers an employer match of 1% of an employee's salary for those that contribute 2% or more of the same to the 403(b) Plan. In addition, employees have an option to opt out of PERF and TRF. If so, then employees receive an additional employer contribution to the 403(b) Plan of 10.5% of their salary if eligible for TRF or 10% if otherwise eligible for PERF. There was a total 403(b) employer contribution of \$8,103 for the year ended June 30, 2013.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol, Suite 001, Indianapolis, Indiana 46204.

## NOTE 7 - RELATED PARTIES

Christel House DORS, Inc. has two affiliated organizations, Christel House Academy, Inc. ("Academy") and Christel House International, Inc.

DORS maintains a signed agreement with the Academy, a separate legal entity, for the use of its employees and other administrative services. DORS reimburses the Academy for the expenses related to these assigned employees and administrative services.

In addition, DORS rents its facility from the Academy, which in turn rents from Christel House International, Inc.

## NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2013 are available for the following purposes:

Walton Grant	<u>\$ 173,704</u>
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During June 30, 2013, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. At June 30, 2013, DORS had released \$25,608 of the Walton Grant from restrictions.

**NOTE 9 - SUBSEQUENT EVENT**

In preparing these financial statements, DORS has evaluated subsequent events and transactions for potential recognition or disclosure through June 19, 2014, the date the financial statements were available to be issued.

**CHRISTEL HOUSE DORS, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2013**

	<u>Program Services Expenses</u>	<u>Supporting Services</u>	
	<u>Academics</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 451,805	\$ 140,672	\$ 592,477
Instructional services	37,791	-	37,791
Accounting and payroll services	-	54,937	54,937
Administrative expenses	94,905	1,934	96,839
Legal services	-	308	308
Recruitment and placement	857	-	857
Technology services	19,670	-	19,670
Professional development	63,488	-	63,488
Course materials and supplies	27,666	-	27,666
Nutritional support	2,426	-	2,426
Sales and marketing	18,518	-	18,518
Travel and entertainment	18,642	1,575	20,217
Vehicle and transportation	8,700	-	8,700
Facilities (ins, utilities, maint)	121,047	2,463	123,510
Rent and facilities	204,064	4,172	208,236
Equipment rental	45,518	-	45,518
Depreciation and amortization	11,017	281	11,298
Interest expense	-	204	204
	<u>\$ 1,126,114</u>	<u>\$ 206,546</u>	<u>\$ 1,332,660</u>

See accompanying notes to the financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
of Christel House DORS, Inc.  
Indianapolis, Indiana:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Christel House DORS, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cashflows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated June 19, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Christel House DORS, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Christel House DORS, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Christel House DORS, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charge of governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Christel House DORS, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Sikich, LLP". The signature is written in a cursive, slightly slanted style.

Sikich LLP

Indianapolis, Indiana  
June 19, 2014